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Better finances,
better lives




Budget 2000



Making
Canada's Economy
More Innovative

February 28, 2000

Canada



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Department of Finance
Canada

Ministère des Finances
Canada

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Budget 2000

Canada is now in an era of budget surpluses.

When the Government first took office in 1993, it set out a plan to restore the nation's finances, build a stronger, more innovative economy and improve the quality of life for all Canadians. The plan is working.

The deficit is eliminated, the debt burden is falling, our unemployment rate is at its lowest level in more than 20 years and disposable income is rising.

With a growing economy and our nation's finances in order, this budget charts a course to greater prosperity for all Canadians in the 21st century. Today's better finances will be used to help build better lives for all Canadians, now and for future generations.

Crucial to a higher quality of life is ensuring that we continue to increase resources for post-secondary education and improve our system of universal health care.

A key component of the Government's plan is to cut taxes. This will mean more money in the pockets of Canadians, stronger economic growth and enhanced job creation.

Canadians know that much of our future success hinges on building a stronger, more innovative economy. Developing the know-how, products, skills and services to keep the economy growing is essential to improving our quality of life.

That is why this budget:

- announces a \$2.5-billion supplement in the Canada Health and Social Transfer (CHST) – the fourth consecutive federal enrichment of the CHST – to help provinces and territories meet what Canadians have clearly identified as their highest priorities: health and education;
- puts forward a five-year plan to reduce taxes by at least \$58 billion, immediately restores full indexation of the personal income tax system to protect taxpayers against inflation and cuts tax rates for the first time in 12 years;
- proposes initiatives to promote leading-edge research and innovation in universities, research hospitals and the private sector; develop new environmental technologies and improve environmental practices; and strengthen provincial and municipal infrastructure; and
- increases significantly the income support available to parents by increasing the Canada Child Tax Benefit and enhancing parental benefits.

For further information on budget measures other than those explained in this booklet, please contact the Distribution Centre at the address provided on the last page, or visit the Department of Finance Canada Web site at <http://www.fin.gc.ca/>.

***Better finances,
better lives***

Making Canada's Economy More Innovative

Highlights

- Investing in research and innovation through major new investments in the Canada Foundation for Innovation, the Canada Research Chairs initiative, Genome Canada and other existing research organizations, and Government On-Line, as well as through a more competitive tax system, new tax assistance for students and knowledge-based industries, and enhanced support for small business.
 - Promoting environmental technologies and practices through initiatives such as the renewed Climate Change Action Fund, the Sustainable Development Technology Fund, a new Canadian Foundation for Climate and Atmospheric Sciences, new municipality-based initiatives for clean air and water, the National Strategy on Species at Risk and the Great Lakes Action Plan.
 - Strengthening federal, provincial and municipal infrastructure in cities and rural communities across Canada.
-

Introduction

In the modern global economy, the nations that thrive will be those that excel at innovation. Building an economy that can innovate and compete with the rest of the world during a time of historic change requires a national effort and contributions from all public and private sector organizations.

Governments must provide the right economic, social and regulatory framework within which innovation can occur. Governments also need to ensure that opportunities exist for all citizens to have access to education, skills and knowledge and that the benefits of innovation are widely shared.

Further, a nation's potential for innovation is strongly linked to its research capacity. The ideas and talents of researchers at universities and research hospitals, government science facilities and non-profit institutions play a key role in building a country's knowledge base. Yet on their own, researchers cannot guarantee the kind of innovative and competitive economy Canada requires.

In the private sector, workers, entrepreneurs, managers and investors all play important roles in developing and marketing the knowledge that researchers create. The private sector must combine its entrepreneurial drive with the latest "know-how" and technology to create new products, processes and services. Firms that achieve success in the new economy must be prepared to risk investing in new skills and technologies, and the economic opportunities that flow from them.

However, new technologies are not just about generating economic opportunity. They also deliver new health care therapies, new solutions to environmental challenges such as climate change, and new approaches to the stewardship of natural resources. Thus, innovation and new ways of thinking about our environmental responsibilities will also help Canadians fulfill their desire for clean air, clean water and healthy habitats.

Finally, an innovative economy will not function without basic physical infrastructure that supports municipal services and allows people and goods to be moved safely and quickly. To that end, all orders of government share in the responsibility to renew Canada's infrastructure and find ways to increase its efficiency.

As Canadians continue to make the transition to the new knowledge-based economy, it is important to remember that creating a competitive, innovative economy is not an end in itself. Its worth rests on the opportunities it provides to Canadians, the health of the environment in which we live and the improvements it brings to our quality of life.

To help Canada become more innovative, the 2000 budget includes more than \$4.1 billion worth of targeted investments in 1999-2000 and over the next three years that will:

- promote leading-edge research and innovation in universities, research hospitals and the private sector;
- support new environmental technologies and innovations; and
- strengthen federal, provincial and municipal infrastructure.

Investing in Research and Innovation

New ideas and the highly skilled people who can create them are increasingly crucial to Canada's efforts to develop a more innovative and knowledge-based economy. In recent budgets, the Government has invested in the federal granting councils and created the Canada Foundation for Innovation and the Canadian Institutes of Health Research.

Our university and research communities have enthusiastically received these initiatives, which are already beginning to show important returns on those investments. For example, these initiatives are helping to provide the funding, laboratories and networks that will lead to exciting opportunities for Canadian researchers and attract the best academic researchers in the world to Canadian universities.

However, experience is also showing that not all institutions of higher learning nor all regions of the country have the same capacity to exploit the opportunities that have been created. Efforts must be made to ensure that the Government's plan for innovation and skills can benefit Canadians in all regions. This point was made in the recently produced report *Catching Tomorrow's Wave*, which identifies the many opportunities that are available to Atlantic Canada as it continues to develop new and unique technology-based industries.

To further assist Canada's economy to become more innovative, the 2000 budget increases the Government's support for research. The budget will also encourage the growth of Canada's knowledge-based economy through measures that accelerate the provision of government information and services over the Internet to all Canadians. Finally, this budget includes measures to improve financing and other support for small and medium-sized businesses.

The Canada Foundation for Innovation

The Canada Foundation for Innovation was established in 1997. The Foundation awards funds to help post-secondary educational institutions, research hospitals and not-for-profit institutions modernize their research infrastructure and equip themselves for state-of-the-art research. The Government provided an initial \$800 million to the Foundation and added \$200 million in the 1999 budget. In the absence of additional funding, the Foundation's awards would end in 2001.

Therefore, the 2000 budget provides a further \$900 million to the Foundation. This new funding brings the Government's total investment to \$1.9 billion and will support continued awards until 2005. It will also help the Foundation meet the infrastructure needs of the new Canada Research Chairs initiative, which is described below.

To date, the Foundation has funded projects in every part of the country – reinforcing strengths in both small and large institutions, and creating new opportunities for established researchers and promising new researchers. About half the money awarded to date has been for health research.

Federal investments in the Foundation have attracted additional funding from provincial governments, universities and the private and voluntary sectors. Therefore, taking into account the funding added in this year's budget, the federal government's contributions to the Foundation will result in a total investment of about \$5.5 billion in new research infrastructure, helping Canadians stay at the forefront of ingenuity and discovery.

Examples of Canada Foundation for Innovation Awards to Date

- \$200,000 to a team from Vancouver General Hospital and the University of British Columbia for a leading research facility to help people with osteoporosis and cancer through research into bone reconstruction.
- \$55,000 to Dalhousie University for equipment to research juvenile polycystic kidney disease, which affects approximately 27,000 people in Canada. Research is focusing on helping children on dialysis and transplant patients grow into healthy adults.
- \$290,000 to the Montreal Neurological Institute to purchase a state-of-the-art DNA sequencer and protein purification equipment. Researchers are studying how cells in the nervous system communicate by releasing chemicals – opening doors to the treatment of psychiatric diseases such as schizophrenia.
- \$100,000 to the University of Toronto to establish an Atmospheric Observatory to help researchers improve their understanding of the processes that cause ozone depletion and atmospheric pollution.
- \$56.4 million toward the Canadian Light Source synchrotron project – a national facility designed by the University of Saskatchewan and supported by 18 other universities. This project, which will accelerate electrons to nearly the speed of light, will enable research leading to the development of new drugs and the creation of new materials.

Canada Research Chairs

Universities make an important contribution to research and innovation in Canada, but they face intense competition in attracting and retaining the best researchers. The Government has recently endorsed a plan from leaders in the research community to meet this challenge. As a result, the 2000 budget provides \$900 million over five years through the granting councils to establish and sustain 2,000 Canada Research Chairs by 2004-05.

These new research positions will strengthen degree-granting institutions across Canada – from large universities with research strengths across a variety of disciplines to smaller institutions with more focused research capabilities. About half of these positions will be allocated to attract established world-class researchers, and the other half will support those who have demonstrated the potential to achieve world-class standing in their area of research.

The program's key objective is to encourage the building of a critical mass of world-class researchers in order to help Canadian universities achieve research excellence. Universities will develop comprehensive plans describing their research priorities and strategies. Applications from universities for individual positions will be evaluated against these strategic plans by review panels established by the granting councils.

From Memorial University in St. John's to the University of Victoria, the Canada Research Chairs will strengthen Canada's academic research base and help Canada play a leading role in natural sciences and engineering, health, and the social sciences and humanities. They will increase the capacity to generate new knowledge in every part of the country. This outcome is particularly important for Canada's smaller universities as they continue to develop their research programs. This initiative will encourage today's leading researchers to stay in Canada. It will also provide opportunities to promising young researchers from across Canada and attract researchers from around the world to pursue their careers in this country.

Enhanced Tax Assistance for Students

The Canadian Opportunities Strategy was introduced in the 1998 budget and expanded the following year. This Strategy will contribute more than \$2 billion in each of the next two years to help Canadian families and students acquire knowledge and skills – for example, through Millennium Scholarships and Canada Study Grants.

The Canadian Opportunities Strategy helps families save for their children's education through registered education savings plans. It also facilitates life-long learning through tax-free withdrawals from registered retirement savings plans and helps students make the transition from school to work.

The 2000 budget enhances the Government's assistance for students by increasing from \$500 to \$3,000 the tax exemption for income from scholarships, fellowships and bursaries. This is the first time the \$500 limit has been increased since 1972. This will increase federal tax assistance to students by about \$30 million annually.

Genome Canada

Biotechnology is poised to be a major engine of the new economy and is expanding our understanding of all living organisms. Research in this field is creating new medicines, new tools for health diagnosis, more nutritious crops with higher yields and new technologies for cleaning up the environment.

Genomic science is key to the advancement of biotechnology. It is the study of the genetic code in people, plants and all other living things. This research has opened the door to continuing advances in the early identification and treatment of diseases such as cancer and cystic fibrosis.

Governments, universities, research hospitals and the private sector have all increased their investments in genomic science. However, there is still a need for more research infrastructure to support larger-scale projects. For this reason, Canadian researchers have proposed that the Government invest in a new non-profit corporation, Genome Canada, which will improve the co-ordination of research in genomic science.

In response, this budget will invest \$160 million in Genome Canada to fund the activities of five genome science centres to be located in Atlantic Canada, Quebec, Ontario, the Prairies and British Columbia. These centres will provide laboratory services to researchers from universities, government and the private sector and serve as focal points to accelerate genomic research in Canada by giving researchers access to leading technologies. The centres will also support research into the social, ethical and legal issues related to genomic science.

Regulation of Biotechnology Products and Processes

Biotechnology products offer significant benefits to Canadian consumers and businesses. At the same time, they require careful scrutiny and regulation. Consequently, the Government is strengthening its commitment to ensure that these new technologies not only enhance health and safety, but also respect and preserve the environment. Specifically, this budget provides a permanent increase in the budgets of federal departments and agencies that regulate biotechnology developments. An additional \$90 million will be invested over the next three years.

This investment will help Canada's regulatory system ensure that, before reaching the marketplace, biotechnology products are safe for human and animal health and the environment.

PRECARN

PRECARN is a national industry-led consortium that helps Canadian companies undertake research in artificial intelligence and advanced robotics. It acts as a facilitator in bringing together technology users, suppliers, developers and researchers. In this way, PRECARN works to keep Canada at the leading edge of breakthroughs in advanced manufacturing, mining, environmental cleanup and other activities using applications of advanced information technology.

PRECARN uses federal funds to match contributions from the private sector and provincial governments.

This budget will provide \$20 million in 1999-2000 to support "Phase III" of PRECARN's program for research and development. Given the dramatic progress in artificial intelligence and advanced robotics technology during the last several years, the private sector and other research organizations will be well positioned to proceed beyond Phase III on their own.

Forestry Research Institutes and Geoscience

Canada's forest industry directly employs 384,000 Canadians and exports \$40 billion worth of goods. It is a very capital- and technology-intensive industry that continues to adapt to the new economy. To help the industry continue to adapt, this budget provides \$15 million for Canada's three forestry research institutes – Forintek, the Forest Engineering Research Institute of Canada, and the Pulp and Paper Research Institute of Canada.

These institutes are a vital part of Canada's research and development infrastructure and help Canada's forest industry improve productivity and become more innovative. They also provide technological solutions that are crucial to an ecologically sustainable and economically viable forest industry.

The mining sector is also an important part of Canada's economy. In order to ensure that Canada's geological information infrastructure continues to be state-of-the-art, this budget will

provide \$5 million a year over three years for geoscience. By improving the quality of information available regarding new mining opportunities, this initiative will stimulate new investment in the mining sector.

Government On-Line

In the new economy, governments must use information and communication technologies to serve Canadians better. Citizens and businesses want service delivery that is more convenient, efficient, faster and organized according to their interests and needs. By being a model user of Internet technologies, governments will encourage more citizens and businesses to use the Internet. Over time, as more and more Canadians routinely use the Internet, the Government will be able to realize significant cost savings in program delivery. This budget will provide \$160 million over two years to design and launch an initiative to offer federal government services on-line to Canadians and stimulate the use of electronic commerce, thereby building on the Government's plan to make Canada the most connected country in the world.

Another priority for the Government is to ensure the availability of Canadian cultural content on-line. Initiatives will include the digitization of collections and exhibitions of the National Archives of Canada, the National Library of Canada and related institutions so that Canadians will have access to them through the Internet. As well, a virtual museum will be created by linking the collections and exhibits of some 1,000 museums for on-line access by all Canadians. To this end, this budget allocates \$20 million in 2000-01, growing to \$30 million by 2002-03, to enrich Canadian content on the Internet.

A More Competitive Tax System

The 2000 budget proposes a number of tax changes that will be of particular benefit to fast-growing service and knowledge-based sectors. Specifically, the budget will:

- reduce the tax rate for highly taxed sectors. This will make Canada more attractive to domestic and foreign investors, and help service and knowledge-based firms expand and compete internationally;
- reduce the income inclusion rate of capital gains from three-quarters to two-thirds and allow a tax-free rollover for capital gains on qualified small-business investments to give businesses greater access to the capital they need to expand and prosper; and

- defer the income inclusion of benefits from employee stock options to help employees participate more fully in the business in which they work – an action that will be particularly helpful to the high-technology sectors.

This budget also introduces a five-year plan to reduce personal income taxes for all Canadians by:

- immediately restoring full indexation of the tax system to protect taxpayers against inflation;
- reducing the middle income tax rate to 23 per cent from 26 per cent;
- increasing the amounts at which the middle and upper tax rates apply, beyond indexation, to at least \$35,000 and \$70,000 respectively; and
- eliminating the 5-per-cent deficit reduction surtax.

Tax measures are described in detail in the booklet *Five-Year Tax Reduction Plan*.

Enhanced Support for Small and Medium-Sized Businesses

The mandate of the Business Development Bank of Canada (BDC) is to help create and develop Canadian small and medium-sized enterprises (SMEs) by complementing services offered by other financial institutions. In recent years, the BDC has significantly increased its support for knowledge-based, export-oriented SMEs through various financing instruments, including quasi-equity and venture capital.

The Government will inject \$80 million into the BDC – through the purchase of dividend-paying preferred shares – in support of the BDC's financing activities.

Like many other Canadians, rural Canadians are experiencing the challenge of economic adjustment and want to take advantage of new opportunities. In addition, they may face challenges related to the dependence of their local economy on a particular industry. To address these challenges, the existing Community Futures Program supports 252 Community Futures Development Corporations (CFDCs), which offer economic development support to small and rural communities. These corporations provide services such as mentoring, business counselling, training and loans to SMEs. Through these services, the Community Futures Program helps ensure that the benefits of the new economy are broadly realized throughout rural Canada.

This budget provides an additional \$54 million over the next three years for the Community Futures Program. This funding will support the creation of new CFDCs and enhance services through increased operating funding to individual corporations.

Budget 2000: Supporting Small Business

Beginning in January 2001, small businesses currently paying tax at the general 28-per-cent rate will benefit from the new 21-per-cent corporate tax rate on business incomes between \$200,000 and \$300,000.

Other new tax measures will help small businesses gain access to the capital they need to expand and prosper. These include:

- reducing the income inclusion rate of capital gains from three-quarters to two-thirds; and
- allowing a tax-free-rollover of capital gains on qualified small business investments where they are reinvested in another small business.

The 2000 budget also enhances support for small and medium-sized businesses through non-tax measures such as:

- an \$80-million injection into the Business Development Bank of Canada to support its financing activities for knowledge-based, export-oriented small businesses; and
- an additional \$54 million over three years for the Community Futures Program, which delivers economic support to small and rural communities across Canada in the form of mentoring services, business counselling, training and loans.

Promoting Environmental Technologies and Practices

Canadians understand that clean air, clean water and healthy habitats are essential to a high quality of life. These priorities call for innovative ways of thinking about our collective environmental responsibilities. Canadians must co-operate in developing new technologies and practices that will be essential to their well-being in the 21st century.

It is in this spirit of co-operation that, in 1998, the federal government initiated consultations with other orders of government, the private sector and environmental groups to develop a National Implementation Strategy for Climate Change. This strategy, which

is expected to be developed by the end of the year, will outline a comprehensive plan to meet Canada's international climate change commitments.

In the meantime, to maintain momentum towards meeting Canada's climate change objectives, this budget provides \$700 million between 1999-2000 and 2002-03 to preserve and improve Canada's natural environment, harness new technology and respond effectively to the challenges of climate change. These measures will be implemented in co-operation with provinces, municipalities, the private sector and non-governmental organizations.

Community Initiatives

The Federation of Canadian Municipalities and La Coalition pour le renouvellement des infrastructures du Québec have each worked on excellent proposals in the area of green infrastructure.

One proposal is the Green Municipal Enabling Fund to help communities assess where their environmental needs are the greatest. A second is a revolving fund, leveraging private sector investment in areas such as waste management and water conservation. This budget gives effect to both proposals. Municipalities will need to seek necessary authorities before accessing these funds. Specifically, this budget provides \$25 million to help municipalities and communities determine the feasibility of and best approaches to renewable energy, building retrofit, water conservation, waste management and urban transit projects.

Secondly, this budget also creates a \$100-million revolving fund – the Green Municipal Investment Fund – to support projects in areas such as energy and water savings, urban transit and waste diversion to strengthen the sustainability of communities. Loans from the fund will be repaid and then recycled to support new projects.

Projects will attract considerable funding from the private sector, including banks, utilities and other energy companies, and pension and other investment funds. For certain project categories, every dollar from the fund will be matched by about \$10 from the private sector. Demonstration projects will be eligible for grants sourced from the fund's accumulated interest.

The administration of these two funds will be the responsibility of the Federation of Canadian Municipalities. The Federation will establish Councils to oversee the funds and advise the Federation's Board of Directors on specific project proposals. These funds will operate at arm's length from the federal government. Representatives from municipalities, the private sector, environmental groups and the federal government will participate in the Councils.

Sustainable Development Technology Fund

The development, dissemination and use of environmental technologies are essential as Canada makes the transition to a more environmentally benign information economy. To help Canada remain a world leader in environmental technology, the Government will establish a Sustainable Development Technology Fund at an initial level of \$100 million. This fund will stimulate the development and demonstration of new environmental technologies, particularly those aimed at reducing greenhouse gas emissions such as fuel cells, wind turbines and advanced materials. Project funding would be available to the private sector, research centres and other institutes.

The fund's role will be twofold. First, it will support the development of promising new environmental and climate change technologies. Second, it will support the demonstration of these technologies so that they may be put to use throughout the economy.

Climate Change Action Fund

The Climate Change Action Fund (CCAF) was established by the federal government in 1998 to help Canada meet its international climate change commitments. It provides the framework for the federal government's priorities and actions in addressing climate change. The CCAF has laid the foundation for future greenhouse gas emission reductions by facilitating the development of technologies such as carbon storage and alternative fuels, and supporting local district energy projects. In this budget, new funding totalling \$210 million over three years will be provided for the CCAF and other federal energy efficiency and renewable energy programs.

The federal government will also continue to show leadership by taking responsibility for its own emissions of greenhouse gases through renewed emphasis on energy efficiency and the use of renewable energy within government operations. For example, building on a successful initial purchase of green energy in Alberta, the federal government will expand this pilot initiative to procure \$15 million of renewable energy over the next 10 years for federal facilities in Saskatchewan and Prince Edward Island. Over the next few years, the federal government will strive to increase its purchases of green energy for its facilities located in all regions of Canada.

Canadian Foundation for Climate and Atmospheric Sciences

The Government will also increase its support for academic research to address the impact of climate change and air pollution on human health. Specifically, this budget provides \$60 million to fund the Canadian Foundation for Climate and Atmospheric Sciences, which will create a network among climate science institutes and universities across Canada. The Foundation will be created by the Canadian Meteorological and Oceanographic Society, which represents a broad community of scientists and Canadian scientific institutions. Based on a peer-review process, the new Foundation will provide research grants to teams of Canadian scientists over the next six years to strengthen Canada's climate research capacity and to encourage this capacity to remain in Canada.

International Environmental Initiatives

The Government is also supporting actions at the international level aimed at improving the global environment.

This budget provides Official Development Assistance funding of \$100 million over four years through the Canadian International Development Agency for technology transfer and related initiatives to help developing countries reduce their greenhouse gas emissions and promote sustainable development.

In addition, this budget will invest \$15 million to support the World Bank's Prototype Carbon Fund. Through this investment, Canada will contribute to new approaches to reducing greenhouse gas emissions through energy efficiency and renewable energy projects in both developing countries and economies in transition.

The Government will also provide funding of up to \$20 million to help developing countries and economies in transition build their capacity to reduce and eliminate their releases of persistent organic pollutants. These are toxic substances, such as DDT and PCBs, that are transported through air and water and tend to concentrate in cold climates, including Canada's Arctic region.

National Pollution Enforcement and the Great Lakes Action Plan

The Government will provide funding for two other environmental initiatives to reduce pollution. First, in order to improve the federal government's capacity to ensure compliance with pollution control standards in all parts of the country, this budget will provide \$22 million over three years and, in subsequent years, will stabilize funding at \$9 million per year.

Second, the Government will expand its ongoing efforts to improve the environmental health of the Great Lakes Basin. This budget provides \$8 million annually for the expansion of the Great Lakes Action Plan to assist in the cleanup of 16 areas of concern identified under the Great Lakes Water Quality Agreement between Canada and the United States.

National Strategy on Species at Risk

In recognition of the importance of protecting our natural heritage, the Government will commit \$90 million over three years and, in subsequent years, will stabilize funding at \$45 million annually to create a national strategy on species at risk. Under this strategy, the Government will introduce federal species protection legislation and stewardship programs, which will build on the work done with provincial and territorial partners under the Accord for the Protection of Species at Risk. This national strategy will protect species at risk and their critical habitat by funding recovery initiatives and species protection activities.

Ecologically Sensitive Lands

The protection of Canada's natural heritage is a critical component of the Government's approach to environmental issues. This is why the 1995 and 1997 budgets made significant improvements to the tax treatment of donations of ecologically sensitive land and

easements. Specifically, the 1995 budget provided that donations of ecologically sensitive land be exempt from the net income limits applicable to other types of donations, and the 1997 budget put forward a practical method for valuing easements for tax purposes.

Donations of ecologically sensitive land have grown significantly as a result of these budget measures, but environmental groups have recommended that more needs to be done to encourage donations. Accordingly, the budget proposes to reduce, from two-thirds to one-third, the income inclusion rate on capital gains arising from donations of ecologically sensitive land and easements. This will help Canada's landowners and conservation groups in their efforts to preserve Canada's natural heritage. For planning purposes, it is assumed that reducing the income inclusion rate will add \$5 million to the annual cost of tax assistance for donations of ecologically sensitive land. However, it is important to point out that the cost of the measure will depend on the rate of donations, and thus on the willingness of Canadians to participate in the preservation of critical habitat.

Environmental and Sustainable Development Indicators

The federal government will provide \$9 million over the next three years to the National Roundtable on the Environment and the Economy and to Environment Canada to develop environmental and sustainable development indicators in collaboration with Statistics Canada. These indicators will contribute to environmental policy making in a manner similar to the way in which economic indicators facilitate the Government's economic and fiscal management. Specifically, environmental indicators will provide a better basis for assessing the interactions between the economy and the environment and will improve Canada's ability to measure its progress on improving the environment.

Strengthening Federal, Provincial and Municipal Infrastructure

The 21st century economy requires a backbone of sound physical infrastructure to sustain the nation's growth and our quality of life. For example, Canadians deserve and expect a high standard of basic municipal services. It is also important to improve our capacity to move people and goods safely and quickly throughout the country.

However, in addressing Canada's economic priorities, governments must recognize the unique challenges confronting rural and remote communities. These include the difficulties faced by farm families on the Prairies and across the country, the anxieties of Canada's mining or other single-industry towns and the loss of traditional sources of employment on both coasts. People in these communities have the same needs as urban Canadians – quality health care and education, and work that is steady and well-paying. The difference in rural and remote communities is that a hospital restructuring, a school cutback or a factory closure can have a far greater impact – perhaps even threatening the viability of the community itself.

In addition, in many rural and remote communities, such concerns may be compounded by the anxiety that people's prospects are growing worse and that, in spite of better times, the overall benefits of the new economy will pass them by. Governments must not allow this to happen. Indeed, the new economy offers opportunities to rural Canada. In the year ahead, all orders of government must work to broaden and harness these opportunities so that the benefits of the new economy take root in all parts of the country.

With this in mind, the federal government will consult with other orders of government and the private sector to reach agreement on a creative and fiscally responsible multi-year plan to improve provincial highways and municipal infrastructure in cities and rural communities across Canada. An agreement is expected by the end of 2000.

In this budget, the federal government is allocating \$100 million in 2000-01, \$350 million in 2001-02 and \$550 million per year for the next four years.

At the level of \$550 million per year, \$400 million will be allocated for municipal infrastructure in cities and rural communities across Canada, including affordable housing and green infrastructure, and up to \$150 million for highways.

Separate from this initiative, the federal government's own infrastructure across the country needs improvement in order to address safety concerns and to maintain services to Canadians. This includes, for example, major repairs to federal bridges and wharves and the refurbishment of many federal laboratories. This budget provides a further \$200 million per year over the next five years for these safety improvements.

Table 1*Making Canada's Economy More Innovative*

	1999- 2000	2000- 2001	2001- 2002	2002- 2003	Cumulative total
(millions of dollars)					
Investing in Research and Innovation					
Canada Foundation for Innovation	900				900
Canada Research Chairs		60	120	180	360
Enhanced tax assistance for students ¹		5	30	30	65
Regulation of biotechnology		25	30	35	90
Genome Canada	160				160
Forestry research institutes and geoscience	15	5	5	5	30
PRECARN	20				20
Community Futures		18	18	18	54
Government On-Line infrastructure		80	80		160
Canadian content for the Internet		20	25	30	75
Total	1,095	213	308	298	1,914
Promoting Environmental Technologies and Practices					
Community initiatives	125				125
Sustainable Development Technology Fund		100			100
Climate Change Action Fund/energy efficiency and renewable energy			70	70	140
Green energy	15				15
Canadian Foundation for Climate and Atmospheric Sciences	60				60
International environmental initiatives	35	10	25	30	100
National pollution enforcement and the Great Lakes Action Plan		15	15	16	46
National Strategy on Species at Risk		20	30	40	90
Ecologically sensitive lands ¹		5	5	5	15
Environmental and sustainable development indicators		3	3	3	9
Total	235	153	148	164	700
Strengthening Federal, Provincial and Municipal Infrastructure					
Federal-provincial initiatives		100	350	550	1,000
Federal initiatives		200	200	200	600
Total		300	550	750	1,600
Total excluding tax initiatives	1,330	656	971	1,177	4,134
Total including tax initiatives	1,330	666	1,006	1,212	4,214

¹ Tax initiative.

Note: Numbers may not add due to rounding.

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